

AMENDED IN SENATE MARCH 23, 2009

SENATE BILL

No. 8

Introduced by Senator Huff

(Coauthors: Senators Aanestad, Benoit, Cox, Dutton, Harman, and Runner)

(Coauthors: Assembly Members DeVore, Fletcher, Harkey, Jeffries, Nestande, and Silva)

December 1, 2008

An act relating to state finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 8, as amended, Huff. State finance: performance budgeting.

Existing law requires the Department of Finance, in its role of assisting the Governor in preparing the annual state budget, to develop, issue, and implement consistent and adequate guidelines for agencies required to submit budgets.

This bill would additionally require the Department of Finance to develop a performance budgeting pilot project under which the budgets of at least 4 departments in specified fiscal years would be analyzed by specified criteria. The bill would require these pilot project budgets to be considered by the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget. The bill would require the Department of Finance to evaluate this pilot project and report its findings to the Chairperson of the Joint Legislative Budget Committee on or before January 1, ~~2012~~ 2014.

~~This bill would declare that it is to take effect immediately as an urgency statute.~~

Vote: $\frac{2}{3}$ -majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. This act may be cited as the Performance Budgeting and Government Accountability Act of 2009.

SEC. 2. The Legislature finds and declares the following:

(a) The state's traditional budgeting process, based on an incremental review of funding adjustments to the previous year's level of spending, impairs the ability of the Governor and Legislature to impose new budget priorities that are needed as the state confronts the most severe fiscal crisis in recent state history.

(b) Inadequate review of baseline spending encourages the continuation of funding for programs that may be duplicative, wasteful, inefficient, or no longer as important as other competing needs.

(c) The perception of waste and inefficiency in state government undermines Californians' confidence in government and reduces the state's ability to adequately address vital public needs.

(d) Performance budgeting provides a framework for reviewing state expenditures based on program results rather than intentions. It assists legislative policymaking, spending decisions, and program oversight by evaluating the relative priority, performance, and management efficiencies in programs. Performance budgeting can provide a useful tool to help determine where to make targeted spending reductions without sacrificing vital services.

SEC. 3. The Department of Finance shall develop a performance budgeting pilot project involving at least four departments. As part of the state budgets for the ~~2009–10~~, 2010–11, ~~and 2011–12~~ 2011–12, and 2012–13 fiscal years that are to be submitted by the Governor to the Legislature, the Department of Finance shall include an analysis of pilot department expenditures based on all of the following:

(a) The extent to which the pilot department's programs are relevant with respect to all of the following:

(1) Whether the program addresses a specific interest, problem, or need that is clearly identified and immediately necessary.

(2) Whether the program represents a critical, essential role for state government.

1 (3) Whether the elimination of the program would result in other
2 parties mitigating the loss of the program wholly or in part.

3 (4) Whether the program is designed to make a unique
4 contribution that is not duplicative of other federal, state, or local
5 government programs or private and nonprofit programs.

6 (5) Whether the program's budget has grown over the past 10
7 years in a manner consistent with the growth in the need it is
8 designed to address.

9 (b) The extent to which the department's performance measures
10 demonstrate an impact, as described in all of the following:

11 (1) Whether the program has specific, long-term performance
12 measures focusing on outcomes.

13 (2) Whether the program has a limited number of annual
14 performance measures demonstrating progress toward long-term
15 goals.

16 (3) Whether the program actually meets the impacts described
17 in paragraphs (1) and (2).

18 (4) Whether the program delivers quality performance in
19 comparison to similar program activities in other governments,
20 the private sector, and nonprofits.

21 (5) Whether the program collects timely and credible
22 performance information that can be verified and validated.

23 (c) The extent to which the department avoids internal
24 inefficiencies and poor resource allocation, as specified in all of
25 the following:

26 (1) Whether the program can provide a compelling cost-per-unit
27 of service.

28 (2) Whether employees are held accountable for performance
29 standards and trained and managed to produce optimal results.

30 (3) Whether information technology and other processes have
31 improved performance and cost-efficiencies of the program.

32 (4) Whether the program uses partnerships, grants, and contracts
33 to improve efficiency of operations and service delivery.

34 (5) Whether the program has strong internal controls that reduce
35 waste, fraud, and errors in its payment and financial management
36 systems.

37 SEC. 4. The Senate Committee on Budget and Fiscal Review
38 and the Assembly Committee on Budget shall consider the
39 performance budget analysis presented by the Department of
40 Finance in accordance with Section 3.

1 SEC. 5. The Department of Finance shall evaluate the pilot
2 program and report to the Chairperson of the Joint Legislative
3 Budget Committee, on or before January 1, ~~2012~~ 2014, regarding
4 the extent to which performance budgeting results in a more
5 cost-effective and innovative provision of government services.

6 ~~SEC. 6. This act is an urgency statute necessary for the~~
7 ~~immediate preservation of the public peace, health, or safety within~~
8 ~~the meaning of Article IV of the Constitution and shall go into~~
9 ~~immediate effect. The facts constituting the necessity are:~~

10 ~~In order to determine budget priorities for the 2009–10 fiscal~~
11 ~~year, it is necessary that this act go into immediate effect.~~